THE RESTRUCTURING OF AGRICULTURE AND RURAL SOCIETY: EVIDENCE FROM AUSTRALIA AND NEW ZEALAND

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Introduction

Over the past two decades - as part of a broader economic restructuring within capitalism - there has been considerable rationalisation of agriculture in Australia and New Zealand. This process of 'structural adjustment' has stemmed from the general pressure on governments to cut expenditure and to change the way they regulate the economy. It has also been spurred by the continuing decline in commodity prices and the operation of farm subsidy programs in the European Community (EC) and the United States. There is considerable uncertainty about how to account theoretically for the significant changes currently taking place in rural areas. This paper outlines some of the more noticeable trends within the rural sector in Australia and New Zealand and suggests ways in which these might be interpreted. There is still much scope for empirical research, theoretical debate and informed comment in this area.

There are a number of arguments that can be broadly grouped as theories of post-fordism. This concept has generated considerable debate (eg Greig, 1990; Hampson, 1991) and has been exposed to severe criticism on the basis of its operationalisation, political implications and empirical validity. However some aspects of the post-fordist approach may be of use in understanding rural change. In turn, study of these developments may help test the validity, for contemporary Australia and New Zealand, of post-fordist theories.

This is not the place to rehearse the complex arguments around the concept of post-fordism. Very briefly, post-fordists argue that capitalism is entering one of the many crises of its development. We are seeing the dismantling of the post-1945 régime of economic and social regulation which combined the mass production and distribution of consumer goods (fordism) with the 'scientific management' of work (Taylorism) and a system of social surveillance and containment (the welfare state) (see Buttel, 1991).

It is argued that a post fordist system of social and economic organisation is emerging. To the core economies of Japan, the US and Germany, primary and secondary manufacturing are of diminishing significance. In their place finance capital is increasingly channelled into firms with flexible production systems aimed at diverse and discrete markets which reflect complex patterns of consumption. The three key features of post-fordist production are: first, integration of the manufacturing and information sectors, most clearly through the use of microprocessor technology; second, a reduction in the scale of production and a shift from the 'mass consumer' to the 'niche' market; and third, flexibility of production, of labour relations and of orientation and response towards the market (Greig, 1990).

While a number of analysts (of whom Mathews is best known in Australia) have welcomed this apparent shift, a majority has seen the restructuring process as favourable to capital and a reversal of historical gains made by labour during the post-war period (Bramble, 1990). It has been argued that the post-fordist production régime entails a conservative and residualist social policy - including a smaller welfare state, deregulated labour markets, privatisation of state bodies and ideologies of non-intervention and the free market (Buttel, 1991). Furthermore 'flexibility' within the system really means the ability of management to hire contract labour, to shift production into low-cost areas and to seriously weaken the trade union movement (Hampson, 1991). Restructuring results in the emergence of a corporate elite, based on the exploitation of a divided and insecure population including low-paid service workers, those in the informal sector and an 'underclass' of under- and unemployed.

Transnational corporations (TNCs), increasingly dominant in the world economy, are in a position to take full advantage of this favourable climate. They organise their production to maximise profits, locating plant in low-cost areas (such as the Newly Industrialising Economies (NIEs) of south-east Asia) and establishing branches in undercapitalised regions of advanced economies where liberalised trade relations and deregulated markets allow them to integrate aspects of production and distribution. Facilitated by changes in the regulation of financial markets, capital is increasingly mobile and may be withdrawn from 'unfriendly' states and moved to regions that provide better opportunities for surplus extraction.

The rural areas of the advanced economies are becoming 'recommoditised' (Marsden and Murdoch, 1990). In addition to agriculture they may support the production of less 'traditional' commodities: for example spaces and facilities for recreation, recuperation and retirement (Cooke, 1988). Those displaced from farm or forestry employment may supply labour to the new rural service economy, particularly in tourism (Fairweather and Campbell, 1991) and may also find jobs when branches of transnational corporations relocate to 'greenfield' sites to utilise a cheaper and more malleable (nonunionised) workforce. While to neo-conservatives such a shift of capital to rural regions represents economic growth it can be argued that such restructuring leaves rural regions on the periphery of economic and social activity (Buttel, 1991).

The State and Rural Restructuring

Nation states and supra-states have responded in varying ways to the forces of global economic change. The support policies of the EC, including the Common Agricultural Policy, focus less on the continual expansion of production and more on the preservation of rural communities and protection of the environment (Commins, 1990). Food production is no longer the major determinant of economic and social relations in rural Europe (Redclift and Whatmore, 1990; Bonanno, 1991).

In the US the economic activity of rural communities has diversified through the growth of service and manufacturing industries - something which has reduced dependence on agriculture. There has been strong growth of regional, national and international market structures (Swanson, 1988) and an increasing subordination of farming to finance capital. Contradictory forces operate: rural communities are 'decoupling' from the fortunes of agriculture and there is greater reliance on off-farm work to sustain family-farm viability; at the same time, while rural-based manufacturing and service industries have expanded, global restructuring has forced productivity increases, leading to a new contraction of work opportunities (Summers *et al*, 1990).

Three quarters of US farmland still produces crops for export (McMichael, 1991) so the US government continues to seek pragmatic (if contradictory) policy solutions to the problems of global food production and distribution. Through aggressive use of subsidy programs such as the Export Enhancement Program (EEP) it maintains its global dominance of agricultural trade while at the same time using trade liberalisation policies to penetrate South Asian (McMichael, 1991) and Eastern European markets. The US is forging bilateral links with its trading partners which involve the acceptance of manufactured goods from countries like Japan and Korea in return for improved access to their food markets. Australia and New Zealand have had to develop similar arrangements.

According to McMichael (1991:17-18):

> A world market for agrofood products has emerged, focused particularly on processed foods, grain and grain substitutes and generic inputs such as starch or protein substrates. Such trade is increasingly the province of TNCs, which as a consequence, are among the strongest supporters of GATT (General Agreement

on Tariffs and Trade) trade liberalisation policies. The growing influence of the TNCs has made it difficult for the US to reassert its control. The restructuring of commodity production has been shaped by uncertainty in policy direction, wild fluctuations in commodity prices and an intensification of competition (Friedmann and McMichael, 1989).

Restructuring: Australia and New Zealand

Australian and New Zealand governments have responded to the changing international regime and have begun to adopt much of the rhetoric and practice of restructuring. The economies have been exposed to international market forces, with deregulation of the financial sector and the removal or reduction of tariffs and other barriers to international capital flow. Real levels of government expenditure have been cut and universalist social welfare policies discarded. There has been a renewed emphasis on wage productivity and labour 'flexibility'.

In New Zealand the government has reduced welfare benefits and seriously weakened the trade union movement through anti-labour legislation. To promote flexibility in resource allocation and increase competition it has abolished import licencing and reduced tariff levels, removed interest rate controls, floated the dollar, altered the restrictions on finance and banking, reduced public sector employment and introduced a value added (goods and services) tax (Fairweather, 1989:1). State support for farmers has been dramatically reduced with the withdrawal or elimination of subsidies, concessions, price underwriting and stabilisation policies and the introduction of 'user-pays' principles (Sandrey and Reynolds, 1990). The formerly interventionist National Party has espoused Treasury doctrine, rejecting state support and regulation as a legitimate means of encouraging domestic economic growth (Jesson, 1991). Similar policies, though in a slightly less extreme form, have been adopted by Australian governments.

The withdrawal of the state from agricultural support has allowed both countries, as part of the Cairns group of free traders, to lobby with a greater degree of credibility at the international level for reduced protection and in favour of the doctrine of comparative advantage. They argue that if state support was withdrawn from overseas rural producers their high cost structures and low scale economies would severely reduce their ability to compete on open world markets. Then, not only would 'our' farmers capture new customers but Europeans and Americans would receive cheaper food and the ballooning agricultural support budgets would be brought under control (Miller, 1987). Sales of agricultural goods abroad would provide the necessary foreign exchange for Australians and New Zealanders to import manufactured goods and to address current account problems. The entrenched positions of the giant trading blocs of the US and EC has allowed limited success for this position.

The Australian government has emphasised the importance of the GATT negotiations and has attempted to take a leading role (see DPIE, 1989). It has also argued that the main objective for Australia must be to reduce reliance on the export of unprocessed bulk raw materials. The key to this is transnational agribusiness, which will connect Australian farmers with huge consumer markets in the Pacific Basin. The Department of Primary Industries and Energy (DPIE) has adopted the rhetoric of post-fordism, arguing that value adding is the direction of the future. Primary products will be processed for export by TNCs whose size, marketing experience and strategic links will be allow existing markets to be secured and new ones to be developed. The transnational Bunge corporation, one of Australia's largest flour millers and pig producers, is singled out as a model of successful agribusiness.

State-supported marketing authorities have contributed to farmers' strong bargaining position in domestic markets. The DPIE (1989:71) now sees them as barriers to the integration of farming with agribusiness and their dissolution is urged. Similarly, regulations which limit market share or concentration of ownership in the food processing sector are seen to deter foreign investment (DPIE, 1989:vii). While broadacre farming and the export of raw materials (which still account for over 70 percent of total rural exports) will continue, the DPIE argues that agribusiness must grow if Australia is to reduce its reliance on a 'diminishing and residual' market for unprocessed agricultural commodities. It must move towards supply of the value-added products desired by the Pacific Basin's NIEs (DPIE, 1989:31; *Australian Farm Journal*, April 1991:36; Wettenhall, 1991).

While this reasoning has obvious appeal, the assumptions upon which it is based are highly questionable:

- the Pacific Basin and Middle Eastern nations to which Australia exports have little interest in importing value-added products. Their lower labour costs make it more sensible for them to value-add at home. Indeed, processed goods are declining as a proportion of Australian food exports (Wettenhall, 1991). It has been estimated that agricultural exports from Australia worth $15 billion are transformed into five times that value overseas.

- the control exercised by TNCs in Australia means there is little chance of developing substantial new markets for processed exports. In 1988 half of Australia's top ten agricultural exporters were Japanese trading firms, sending $7 billion worth of unprocessed food and fibre overseas (*Financial Review*, 15 March 1988:40-41). The strategies of such companies militate against the development of new value-adding opportunities in Australia: they source globally to increase overall profit-making opportunities and can juggle production to achieve the highest returns (Wettenhall, 1991).

- the rapid spread of modern agricultural technologies (and the use of subsidies) has increased the ability of importer nations such as India and Saudi Arabia - once dependent upon the purchase of bulk commodities such as wheat, rice and meat - to produce these commodities themselves.

- while Australian farmers employ the latest chemicals to boost production and maintain price competitiveness in international markets, overseas consumers and processors demand 'cleaner' lines of food. Australian producers have already suffered the rejection of organochloride tainted meat in Japan, hormonally contaminated beef in the US and diseased live sheep in the Middle East.

- the free market does not encourage adoption of sustainable farming practices. Declines in commodity prices lead farmers to exploit their land as a short-term means of continuing in farming (Lawrence *et al*, forthcoming). Only one percent of producers in Australia uses organic farming practices (Wettenhall, 1991) increasing the likelihood of further attacks on our 'polluted' foods. While governments encourage farmers to adopt sustainable practices, market signals tell them they will be individually better off by employing more toxic or destructive agribusiness inputs.

Rural Restructuring: A Rural Crisis?

Australian farm incomes for 1991-92 are expected, in real terms, to be the lowest recorded. During 1990-91 weak world demand for commodities led to an average price fall of 13 percent with a further 5 percent decline expected in 1991-92. Wool (32 percent down), sugar cane (13 percent) and rice (22 percent) are the major concerns (*Australian Farm Journal*, January 1992:10). While wheat prices are expected to rise by 20 percent this is from an historically low level. As the cost of inputs continues to rise while commodity prices fall it is estimated that the terms of trade for agriculture will further deteriorate, by 8 percent in 1992 following a 13 percent decline in the previous year (*Australian Farm Journal*, January 1992:10).

The average farm cash operating surplus (a measure of cash available to the farmer) on wheat/sheep/beef farms is expected to shrink by a third in 1991-92, having already halved in 1990-91 (*Australian Farm Journal*, January 1992:31). Despite recent falls in interest rates many farmers will not have the cash to meet loan repayments, nor can they expect to borrow to purchase seed, fuel and fertilisers to take advantage of any improvement in wheat prices. Banks are now refusing credit to those they regard 'at risk' (*Australian*, 1 February 1992:1) and total rural debt is shrinking. This is not surprising given the financial decline of agriculture. The average Australian farm lost $122 000 in capital value in the 1990-91 financial year and land values have been falling by about 12 percent annually (*Australian*, 25 January 1992). The estimated average income loss for 1991-92 is expected to be $30 000. Prices for rural commodities are not likely to improve until well into the end of the decade. With equity levels declining, investment in agriculture is becoming increasingly unprofitable, as bankers are well aware (*Australian,* 1 February 1992:1).

The Australian and New Zealand governments look to the GATT negotiations to revive the economic fortunes of agriculture through the rolling back of protection and subsidisation in the EC and US. But progress has been slow with no real change expected until the mid-1990s. The US government promised that if the EC failed to reduce its subsidy levels by June 1992 it would retaliate by expanding the EEP by US$1 billion a year. This date has now passed and the relevant sections of the US Farm Bill have been triggered. The outcome threatens to severely disadvantage Australian farmers and ensure depressed commodity prices throughout the 1990s (*Australian Farm Journal,* January 1992:41).

The statistics provide a broad outline of the pressures and difficulties facing the rural sector. They are reflected in the views of farmers themselves. In an Australian National Opinion Poll (ANOP) survey of over 1000 farmers in January 1991, one third of respondents claimed they were being crippled financially, had increasing debt and were about to abandon farming. Over a quarter experienced a deteriorating quality of life and indicated that despite 'working around the clock' their standard of living was falling and family life suffering.

Further implications of the 'crisis' were revealed in a smaller, less representative survey of 186 farmers carried out by a farm lobby group (Farmfacts, 1991). This revealed that in addition to personal hardship and poverty, the financial crisis in agriculture was leading to a running down of the capital base through failure to invest in plant, equipment and inputs. For example, just 6 percent of total farmland surveyed was limed, although agronomic research indicated that over 80 percent of lands would respond favourably to such treatment; three quarters of those surveyed reported static or declining crop yields and two thirds a decline in stocking rates. Long term problems of land degradation were not being addressed: ominously those with the greatest declines in cash flow planted the fewest trees.

Such surveys, while methodologically limited, suggest that many farmers view their economic circumstances very negatively. Increasing cost-price pressures have led them to run down capital stock, a trend corroborated by government research (ABARE, December 1991:580). This may make Australian farmers less competitive in the future. Failure to lime or to plant trees will save money in the short term but may contribute to future land management problems including salting and erosion (Lawrence *et al*, forthcoming). The environment suffers when farmers cannot afford to invest in 'ecologically friendly' machinery and must rely on exploitative and damaging planting and harvesting strategies.

While family-farms remain the dominant form of agricultural enterprise (about 90 percent of properties could be so described) there is constant pressure for a contraction in farm numbers. The declining viability of many producers and polarisation of the agricultural sector is indicated by the fact that four fifths of output is produced by one fifth of farms (*Australian Farm Journal*, February 1992:16). Agribusiness corporations control large sections of rural industry including poultry and pig production, wine grapes, beef feedlots, merino studs and pastoral properties.

Smaller scale family-farm producers may have little option in future but to adopt corporate strategies. Roy Powell, Professor of Agricultural Economics at the University of New England has asked whether:

> the risk [of farming] is becoming so high that . . . we are going to see most family farms disappear and be replaced by something a bit more like the corporate farm . . . corporations have a greater capacity to manage risks and finance their way through those activities (*Australian Farm Journal*, February 1992:15)

Free market policies rule out a return to state support for agriculture, so the only logical option is to help unviable farmers out of agriculture and assist the remainder to expand and become more 'efficient'. A decline in the number of family farmers, while never openly acknowledged as a desired outcome, is the clear result of such policies (Curran *et al*, 1987:97). The cost-price squeeze is seen as a convenient lever to eliminate those deemed inefficient (Bell and Pandey, 1986; Lawrence, 1987). However, it is not necessarily the least efficient who are forced out, but often those with high interest payments who have followed the best advice and have borrowed to improve their economic performance.

The impact of structural change on rural towns appears to be contradictory. In the US and Europe it has been suggested that some country towns can survive, indeed thrive, independently of agriculture and there is evidence of a similar pattern in Australia (Stayner and Reeve, 1990; Kidman, 1991). At the same time, each dollar obtained from Australian agriculture has been calculated to generate between fifty cents and one dollar in off-farm earnings (Crofts *et al*, 1988), thus a predicted fall of $4 billion in real gross farm output in 1990-91 may result in a decline of $2 to $4 billion in non-farm output (Knopke and Harris, 1991). An unknown, but presumably high, proportion of this loss will be experienced throughout rural communities, leading to job losses and increasing levels of poverty (Lawrence and Williams, 1990). Some effects are already being felt: the Farm Machinery Dealers Association has indicated that 3000 jobs were lost from the industry during 1990 as the number of dealerships declined from 2400 in 1986 to 950 in 1990, with a further 300 expected to close in 1991 (Farmfacts, 1991). This will limit choice in machinery purchase and make maintenance of existing plant more difficult.

While about one third of farmers consider that their quality of life has deteriorated substantially they seek to remain in farming: an indicator of the tenacity of the family farm in the face of economic decline. Though rationalist economic policies predict that market forces will remove the inefficient and leave bigger but leaner farm units, sociological evidence suggests that farmers on poverty level incomes will opt to continue in farming on the basis of extra-economic factors: the 'independence of being self-employed, family-farming tradition, the identity, prestige, self esteem and pride that farming affords and the strength of local community networks' (Bell and Pandey, 1986:7). For many, advancing age and limited formal education rule out a successful transition to other work. Our knowledge of rural fundamentalist ideologies suggests that farmers may interpret their misfortune as character building and confirmation of how different (and superior) country life is to that of the city.

Rural Restructuring: Beef Feedlotting

Rural restructuring is not only manifested in the reduced viability of family-farm agriculture, but is seen in the growth of corporate forms of agricultural production. A recent important development is that of feedlot operations. Relaxation of Japanese beef import quotas has led firms such as Itoham, TKK, Mitsubishi, Marabeni and Nippon Meats to source supplies of marbled (*Kobe*) beef in Australia. There is also strong interest from Singaporean, Korean and Taiwanese firms. Investment has been stimulated by the highly-valued yen, Japanese trade liberalisation, Australian desire for foreign investment and a rural economy seeking alternatives to glutted commodities. Grain-fed beef exports to Japan have grown rapidly from 5,000 tonnes in 1988 to 34,000 tonnes in 1990. By 1996 the Asian market is expected to increase by another 15 percent with feedlots then turning off up to a quarter of all cattle slaughtered in Australia (Alcorn, 1991:87). Feedlot capacity is estimated to have tripled to over 600,000 head from 1987-1990, of which 85 percent are in Queensland and New South Wales (Tsoutsouvas, 1990).

The Australian government has endorsed such development as 'in the national interest'. As indicated earlier, the DPIE favours deregulation to attract investment:

> Beef production and processing capacity . . . would be more attractive to overseas investors . . . if there was less regulation of grain trading and prices, less regulation of slaughter capacity, fewer restrictions on the commissioning of new plants and more flexible and internationally competitive labour arrangements and awards (DPIE, 1989:67).

This policy direction has been manifested in the deregulation of wheat marketing, 'reinterpretation' of pollution controls and moves to change the meatworkers' award. The Foreign Investment Review Board (FIRB) has approved the purchase, by overseas interests, of abattoirs responsible for half the kill of NSW and Queensland (*Australian Farm Journal*, April; May, 1991). Should the Australian dollar fall below or stabilise around US¢72 (as appears to have happened), there will be heavy investment from South Korea and Japan, channelled through joint ventures with Australian companies to overcome any remaining FIRB restrictions (*Australian Farm Journal*, February 1992:7).

In the Riverina four feedlot/abattoir complexes are under development on the fragile Murrumbidgee river system. The region will experience a shift from small-scale private beef operations to feedlot complexes holding up to 130,000 head and turning off a quarter of a million grain-fed animals each year (*Land*, 31 January 1991). The region's farmers will grow stock and feed under contract, ensuring the complexes a reliable and uniform supply (*Land*, 17 January 1991: *Australian Farm Journal*, May, 1991). Rural communities have been promised growth: for example the promoters of the $40m Yanco complex (near Leeton) have promised 360 jobs with an annual wage input of $12.5m (Bull, 1990). Local farmers and workers have protested about delays in development of the feedlot, criticising 'red tape' including stringent pollution controls (*Land*, 21 June 1990).

Opposition to feedlot development has had little effect. In Leeton a small local group lobbied Council to reject the Yanco development, pointing out that the feedlot promoters would not guarantee development of an associated abattoir. They argued that only 30 new jobs would be created with an annual wage input of about $700,000 and pointed to the risk of effluent seeping into district waterways and to outstanding problems of stench, noise and traffic (Concerned Citizens Group, 1989). Their views were rejected as being extreme. At the Federal level the Democrats have been the only political party to criticise feedlot development. Richard Jones MLC has argued that:

> Japanese companies are planning to vertically integrate the beef industry right from the feedlot to the table. They intend to buy whatever is necessary to complete this vertical integration. Very little money will remain in Australia and there will be very little benefit to the rural community. The major problems are underground and surface water contamination, odour,

> depressed land values . . . (and) the incredible cruelty in which living conscious animals are maintained in the name of quick dollars for big corporations (*Narrandera Argus*, 21 August 1991).

As the protestors in Leeton argued, pollution is a major concern. It has been estimated that a 40,000 head feedlot will produce as much effluent as Canberra. Cities of this size spend up to $100m on technologies to treat and purify such quantities of waste. The feedlot 'solution' - to sun dry animal manure for later sale as fertiliser - ignores problems of odour, seepage and run-off (*Land*, 15 January 1989).

Feedlot beef production does represent 'growth' in regions suffering general economic contraction, but at a price. Pollution damage threatens to be considerable. Many farmers will become contract suppliers but are likely to suffer a decline in autonomy and control over their work. Employment in the complexes is likely to be unskilled and poorly paid, with little impact on the training requirements of rural labour or the economic needs of rural towns. If profit levels are threatened the industry can relocate or shut down production while boosting throughput in other regions or countries.

Feedlots are part of a restructuring process which gives global capital new opportunities for profit-taking while appearing to provide inland Australia with industrial development. Yet there are likely to be serious social and environmental consequences and no sustainable future. Just three months after liberalisation of the Japanese market US packers began discounting meat prices by a third, dumping US beef on the Japanese market and undermining Australian interests. Such market uncertainty and unfair trading practices are likely to continue, calling into question the economic rationale behind feedlotting in Australia.

Rural Restructuring: The Labour Market

Labour market restructuring has also had considerable impact in rural regions. In Australia and New Zealand rural workers are being encouraged to sign piece-rate contracts or to engage in low-paid casualised work. This challenges urban-based labour agreements comprising award rates, sick-leave, long service and other benefits. This trend has been reinforced as farmers increase their involvement in off-farm work in an attempt to offset the effects on their incomes of the deterioration in agricultural prices (Le Heron *et al*, 1991).

In New Zealand the National Government has been intensifying the attacks on working people and the union movement initiated by the preceding Labour administration. Industrial awards have been scrapped in favour of contracts between workers and employers. The ambit of the 'youth' wage has been extended to those up to 25 years of age and the structure of overtime payments and weekly work patterns has been made more 'flexible'. This restructuring process has profound implications for rural workers. The removal of agricultural subsidies by the Labour government led many rural people, particularly women, to seek alternative sources of income in industry and tourism. With the removal of national award rates New Zealand regions can anticipate the arrival of branch plants of TNCs seeking to exploit a new pool of cheap and willing labour, 'green' in both its rurality and its näivety in industrial relations.

Rural workers have been under pressure to accept new conditions of employment. For example, in the small South Island town of Mataura, dominated by an abattoir and pulp/paper mill, meatworkers 'voluntarily' accepted a 30 percent wage cut as a means of securing their jobs. Management pointed to the new Fortex specialty meatworks, employing non-unionised shiftworkers as the way forward. Unionists had to obey management's directions or face retrenchment: in a climate of chronic local unemployment they had little choice. On the South Island two major meatworks have shut down, each part of the once-powerful Alliance chain, now undercut by the recently opened Fortex works.

There are clear parallels with the dispute at SPC's Shepparton cannery in 1990 and other disputes in Australian rural and food processing industries. At SPC management convinced unions that jobs could only be maintained through a return to a 40-hour week, with ten weekend-days to be worked each year without penalty rates and deletion of four rostered days off. Management was also prepared to concede conditions, although from a position of obvious financial advantage.

Both management and unions wished to maintain production and share the burden of recession in the industry. People living in the pleasant surrounds of Shepparton put location and lifestyle over union loyalty (*Australian Farm Journal*, May 1991:40; *Sydney Morning Herald (Good Weekend Magazine)* 11 January 1992).

Similar arguments were voiced when Edgell/Birdseye (part of TNC Pacific Dunlop) announced the closure of their uneconomic Cowra canning factory in April 1992. Together with the winding down of the company's operations in the Victorian town of Bairnsdale, this involved the retrenchment of 230 workers and a severe impact on the towns' economies. The workers asked for pay cuts and the Cowra council promised to subsidise re-tooling of the ageing plant (*Sydney Morning Herald*, 21 April 1992). The company argued that its Australian operations were not internationally competitive and that it could source cheaper raw materials from low-cost foreign suppliers like Thailand. Remaining Edgells workers would have to increase productivity and reach agreements with the company in a framework of enterprise bargaining or also face retrenchment. In February 1992 the Heinz food processing company threatened to close its Dandenong factory as it confronted the Food Preservers Union over an enterprise based agreement and productivity issues (*Australian*, 15 February 1992:6) while in April of the same year pulp and paper manufacturer APPM took on its workforce in Albury and Burnie, Tasmania, unilaterally scrapping over-award payments while importing newsprint from overseas. Private agreements such as that at SPC, those demanded by Heinz and APPM (and similar ones at meat processors at Mudginberri, Seymour and Wodonga) herald further attacks on the union movement throughout Australia. During the SPC dispute a number of other employers made similar claims: that workers must take wage cuts or lose their jobs. The CEO of the Victorian Chamber of Manufacturers gloated: 'there's nothing to stop workers paying their employer money - an annual deposit to retain their jobs' (*Australian*, 2 February 1991).

Such changes are being forced upon the workers of Australia and New Zealand by the realities of international capital restructuring. Along with a recession, an extension of 'unfair' trading practices and commodity gluts, there are now new opportunities for global capital to exploit labour. To attract 'footloose' investment funds workers must be prepared to sign away hard-won conditions. It is in rural areas that they are least likely to resist the demands of the new regime. Country workers tend to be conservative and opposed to union activity (Poiner, 1990; Kidman, 1991). In addition members of unviable farm households and those in declining rural towns desperately seek work and income opportunities. This makes rural areas ripe for labour market reform. Globally such regions have seen the establishment of branches of TNCs on terms and conditions that ensure maximum profits. Whether such development is in any way sustainable is doubtful.

Conclusions

Economic restructuring in Australia and New Zealand has exposed farmers to world markets in ways previously circumscribed by state intervention and producers' political influence. The removal of subsidies and the reduction of support for agriculture have been consistent with a strategy of encouraging transnational agribusiness. Changes to the regulation of financial institutions have provided international capital with incentives to 'globalise' its food sourcing operations while encouraging the further integration of Australia and New Zealand into the Pacific Basin in a manner which suits business interests in Japan and the NIEs of Asia. The evidence suggests that these changes, in the context of a world agrofood system characterised by oversupply and unfair trading, place considerable pressure for adjustment on small-scale capital in agriculture. At the same time there are developing opportunities for domestic and transnational capital to take advantage of the changing rural labour market. Increased 'flexibility' within the rural labour force, including a decline in the power of traditionally powerful unions (eg in meatworking, shearing and transport / telecommunications), has made some rural areas attractive sites for investment. In addition new opportunities have emerged in tourism and other service industries where a pool of cheap, malleable labour is available.

Some post-fordist analyses of agriculture (Kenney *et al*, 1989) have pointed to a future of niche marketing and flexible production processes, but it appears that a more complex outcome awaits Australian and New Zealand producers. The beef feedlotting industry, despite its orientation towards specialist 'niche' markets in Asia, is difficult to conceptualise in post-fordist terms. It is a mass production, relatively inflexible and grossly polluting production system, making use of low or unskilled, often casually employed labour. It changes the nature of agricultural employment, requiring a stratified workforce, and reduces the autonomy and flexibility of farmers who provide the inputs. It can therefore be said that feedlotting does not represent the dawn of post-fordism in agriculture. Rather, with its adoption of new forms of labour flexibility, its use of 'payment by results' (for farmers) and its integration into the information economy (for marketing purposes) it may be more usefully described as 'neo-fordist' (Mathews, 1989; Greig, 1990). Similar arguments can be applied to employment in tourist and service industries. While sometimes displaying the post-fordist attributes of product innovation, small scale and flexible production the labour relations within these notoriously nonunionised industries are classically Taylorist.

There are undoubtedly sectors of the Australian and New Zealand agricultural industries that do produce high-value-added, specialised products for specific markets, both domestic and export. Speciality food products like farmhouse cheeses and organic produce are a small but rapidly expanding part of agricultural production. New preservation technologies and the immigration of Asian business people into Australia are contributing to targetted export successes in areas as diverse as fresh flowers and chick peas, tropical fruit and goat meat.

It may be that in Australia and New Zealand, as in the US and Europe, rural industry is becoming increasingly polarised. Large-scale corporate farms produce bulk commodities and generic substrates for the food industry and for global agrofood markets while small-scale specialists produce for niches in domestic and carefully targetted export markets (*Bulletin*, 16 July 1991). Meanwhile the 'traditional' family-farm sector, typified by family labour relations and limited capital resources, will become less significant in food and fibre production, with many producers surviving only through off-farm work. A number of producers will be linked with agribusiness through contracts, supplying the requirements of food processors or feedlot operators. Contract relations will provide short-term security, but extended prospects appear limited unless producers expand production to offset inevitable falls in prices paid (Burch *et al*, forthcoming). A third tier will continue to prosper and expand. These are the larger-than-family and corporate farmers who are technically efficient, derive significant income from outside agriculture, purchase specialist agronomic and management skills and can capture economies of scale (*Australian Farm Journal*, February 1992:15). They will tend to be vertically integrated with food and fibre processing TNCs which will export bulk commodities for processing (Goodman *et al*, 1987).

For the average broadacre sheep/wheat/beef farmer who was once protected by statutory marketing arrangements and who continues to produce bulk agricultural goods for unspecified customers, the future would appear bleak. With saturation of international commodity markets and continued fierce trading by the US and EC, few novel market opportunities are apparent. Moreover, the majority of Australian producers, for climatic, soil and other reasons, are unable to switch rapidly to more highly valued products. Few live in regions where coachloads of international tourists regularly pass the farm gate and their opportunities for specialist production are extremely limited (New Zealand farmers may fare better in this regard).

As environmental and ecological concerns mount, governments - seeking to maintain the viability of rural society while reducing overproduction - may employ some farmers as 'land managers' of tourist sites, wilderness regions or heritage parks, as has been occurring in Europe (Commins, 1990). The view that farmers might be provided with economic incentives to rejuvenate degraded agricultural environments has not been lost on the Australian conservation movement (Cameron and Elix, 1991), while employment in the environmental and tourist industries are touted as the alternative for displaced forestry workers.

A less optimistic scenario sees Australia becoming victim to a form of 'environmental imperialism' (Lawrence and Vanclay, forthcoming). As the pressures from consumer groups and environmentalists intensify in Europe, Japan and North America, the systems of fordist agriculture, based on mass production and high inputs, will become increasingly untenable. There are already strong shifts in opinion, reflected in legislation and public activism, against factory farming, biotechnology, food irradiation, land degradation and the use agricultural chemicals. Encouraged by the opening up of these economies, transnational agribusiness appears to be turning to the reasonably 'clean' environments of Australia and New Zealand to invest. It may be that these countries become agrofood factories, providing a cheap and reliable food supply to the burgeoning economies of the Pacific Rim, while suffering the consequences of environmental degradation and rural impoverishment.

There is a key question which underlies discussion of these and other rural issues: should the family farm be defended or should we celebrate the expansion of a 'rational', efficient and flexible agriculture? There are clearly environmental dangers in the continuation of fordist or neo-fordist agricultural systems and green politics may call for support of a more genuinely post-fordist agriculture. Yet for those in the labour movement who have been routinely abused and castigated by farmers and other rural dwellers (in particular by the ideologues within farmer groups and conservative parties), it may prove difficult to sympathise with a rural population that has long held a privileged place in Australian and New Zealand societies.

While sophisticated theoretical frameworks are available to guide analysis, there is still a lack of basic information about the social, political and economic texture of rural Australia and New Zealand, particularly from outside the more conventional discourses of agricultural economics and rural extension/education. The challenge now is to analyse present trends, consider the lessons from past experiences and to politicise, as a matter of urgency, the concerns raised about the form and effects of rural restructuring in both Australia and New Zealand.

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